

Lao People's Democratic Republic

October 2019

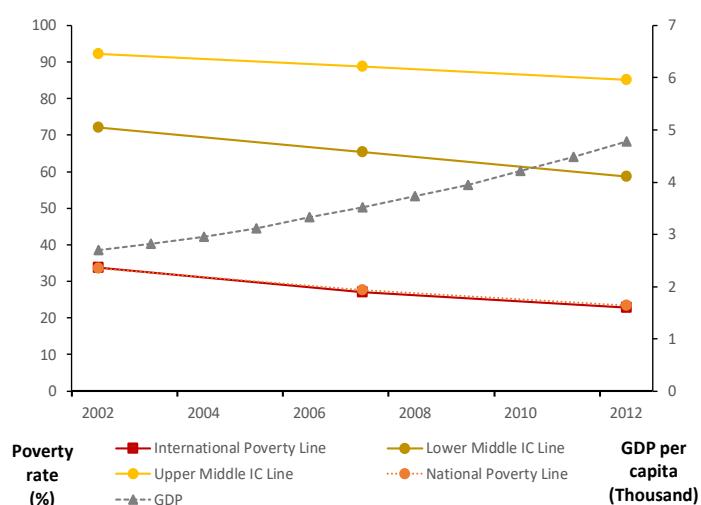
Poverty in Lao PDR remains high and the pace of poverty reduction has been slow despite high growth. Between 2007 and 2012, sustained growth in GDP per capita averaged around 6 percent a year, yet household consumption per capita and median income moderately grew at an average annual rate of 2.1 percent. Poverty measured using the lower middle-income class poverty line only fell by 7 percentage points and remained stubbornly high at 58.7 percent. The low poverty-reducing impact of growth in Lao PDR was driven by its resource-based development pattern which created limited jobs. In the absence of redistributive policies, economic growth had a limited trickle-down effect on improvements in the welfare of households. A gradual decline in per-capita GDP growth since 2012 is expected to have slowed down poverty reduction in recent years.

Inequality is moderate but rising. The Gini index, a measure of inequality, steadily increased from 32.6 to 36.4 between 2002 and 2012. The resource-driven growth was less favorable for households at the bottom end of the distribution, mostly residing in rural areas. While the hydro-power sector bolstered economic growth, with construction and manufacturing contributing to job creation, agriculture which employs most poorer households was negatively affected by flooding and volatile commodity prices. This pattern led to lower income growth among poorer households. Unequal access to public services and vulnerability to health shocks compounded this uneven distribution of growth benefits. The shared prosperity premium for 2007–12 was therefore negative, at -0.71 percentage points. As this growth pattern continues with redistributive policies failing to keep pace with economic expansion, inequality is expected to have increased in recent years.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	1.5	23.4	2012
International Poverty Line 6700.4 in Lao kip (2012) or US\$1.90 (2011 PPP) per day per capita	1.5	22.7	2012
Lower Middle Income Class Poverty Line 11284.9 in Lao kip (2012) or US\$3.20 (2011 PPP) per day per capita	3.8	58.7	2012
Upper Middle Income Class Poverty Line 19396 in Lao kip (2012) or US\$5.50 (2011 PPP) per day per capita	5.5	85.0	2012
Multidimensional Poverty Measure	27.1		2012
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent	1.37		2007-2012
INEQUALITY			
Gini Index	36.4		2012
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth	-0.71		2007-2012
GROWTH			
Annualized GDP per capita growth	6.3		2007-2012
Annualized Consumption Growth per capita from Household Survey	2.08		2007-2012
MEDIAN INCOME			
Growth of the annual median income	2.12		2007-2012

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2019, and Global Monitoring Database for the rest.

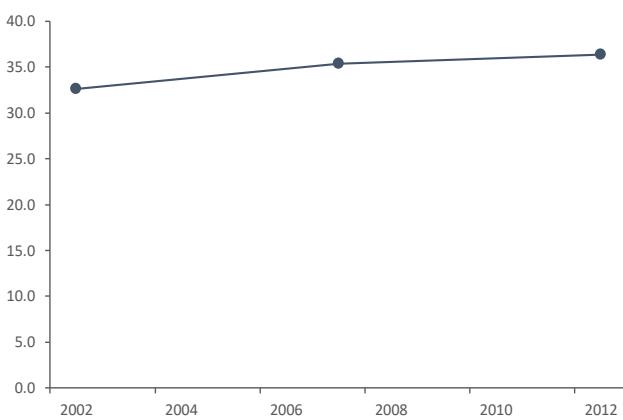
POVERTY HEADCOUNT RATE, 2002-2012



Source: World Bank using LECS/EAPPOV/GMD

INEQUALITY TRENDS, 2002-2012

Gini Index



Source: World Bank using LECS/EAPPOV/GMD

KEY INDICATORS

Distribution among groups: 2012	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures (% of people): 2012
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	90	10	22	78	Monetary poverty (Consumption)
Rural population	72	28	47	53	Daily consumption less than US\$1.90 per person
Males	77	23	40	60	Education
Females	77	23	40	60	At least one school-aged child is not enrolled in school
0 to 14 years old	70	30	49	51	No adult has completed primary education
15 to 64 years old	81	19	36	64	Access to basic infrastructure
65 and older	79	21	38	62	No access to limited-standard drinking water
Without education (16+)	66	34	55	45	No access to limited-standard sanitation
Primary education (16+)	78	22	40	60	No access to electricity
Secondary education (16+)	90	10	22	78	
Tertiary/post-secondary education (16+)	95	5	11	89	

Source: World Bank using LECS/EAPPOV/GMD

Source: World Bank using LECS/EAPPOV/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

The Lao Expenditure and Consumption Survey (LECS) is the primary source of poverty data. The survey is conducted at five-year intervals since 1992/93. The most recent round was completed in June 2019, a year later than scheduled due to government financing delays. The 2018/19 dataset is currently in the data processing stage, and the latest poverty estimates were from the 2012/13 survey. The quality of the data is relatively good, but access is highly restricted. Public groups including government agencies only acquire at most 60 percent of the dataset. Often data must be purchased. National poverty is estimated with per capita consumption as the welfare aggregate. Per capita consumption is estimated using the "cost-of-basic needs" methodology including both food and non-food consumption. The poverty line reflects a minimum threshold of 2,100 Kcal per person per day. Non-food consumption includes durables in part but excludes housing rent. The national poverty line has been updated for changes in the cost of living since 2002. In 2012, the national poverty line was marginally lower than the international poverty line (US\$1.9 (2011 PPP) per day per capita) and 40.7 percent lower than the lower middle-income class poverty line (\$3.2 (2011 PPP) per day per capita). Poverty trends using both the national and international poverty lines are consistent.

HARMONIZATION

The numbers presented in this brief are based on the EAPPOV database. EAPPOV is a database of socio-economic statistics constructed using microdata from household surveys in the East Asia and the Pacific (EAP) region and is managed by the East Asia & Pacific Team for Statistical Development (EAPTSO). As of January 2019, the collection includes 19 countries and 93 surveys. Harmonized surveys in the EAPPOV database are compiled into 4 modules following Global Monitoring Database (GMD) Harmonization guidelines. A subset of the harmonized variables form the basis of the GMD collection, including the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.